

- a. Where expenditures for equipment are not fully justified by the budget and budget narrative, the awarding agency may require that the type, quantity estimated, unit, or other information be provided through the issuance of special conditions to the award.
- b. In reviewing equipment acquisition budgets and proposals, the following principles should be adhered to:
 - (1) No other equipment owned by the recipient/subrecipient is suitable for the effort.
 - (2) No requests for luxury vehicles will be approved. Vehicle requests should be reasonable, and recipients shall usually follow Internal Revenue Service (IRS) guidelines for vehicles for business use. Vehicles purchased via State or local central procurement activities as part of a unit of government fleet are generally accepted as reasonable.
 - (3) Federal funds are not used to provide reimbursement for the purchase of equipment already owned by the recipient/subrecipient.

Exception: Equipment that has been purchased for a common pool and will be charged to the award at cost value is ALLOWABLE. Equipment that has already been purchased and charged to other activities of the organization would NOT be an ALLOWABLE expense to the award.

- (4) Equipment purchased and used commonly for two or more programs has been appropriately prorated to each activity.

4. **Preagreement Costs.** Prior approval is required for preagreement costs.

- a. Block/Formula Funds. Costs which were incurred prior to the date of the subaward period may be charged to the project where the award or subaward application specifically requests support for preagreement costs. States may approve preagreement costs for subrecipients if incurred subsequent to the beginning of the Federal fiscal year of award.
- b. Discretionary Awards. Costs which were incurred prior to the start date of the award may be charged to the project only if they receive prior approval from the awarding agency.

5. **Proposal Costs.** Costs to projects for preparing proposals for potential Federal awards require PRIOR APPROVAL for:

- a. The obligation or expenditure of funds; or
- b. The performance or modification of an activity under an award/subaward project, where such approval is required.

6. **Consultant Rates.** Compensation for individual consultant services is to be reasonable and consistent with that paid for similar services in the market place. Consideration will be given to compensation including fringe benefits for those individuals whose employers do not provide the same. In addition, when the rate exceeds \$450 (excluding travel and subsistence costs) for an eight-hour day, a written PRIOR APPROVAL is required from the awarding agency. Prior approval requests require additional justification. An eight-hour day may include preparation, evaluation, and travel time in addition to the time required for actual performance. Please note, however, that this does not mean that the rate can or should be \$450 for all consultants. Rates should be developed and reviewed on a case-by-case basis and must be reasonable and allowable in accordance with OMB cost principles. Approval of consultant rates in excess of \$450 a day that are part of the original application with appropriate justification and supporting data will be approved on a case-by-case basis. The following is the policy in regard to compensation of various classifications of consultants who perform like-type services. If consultants are hired through a competitive bidding process (not sole source), the \$450 threshold does not apply.
- a. Consultants Associated with Educational Institutions. The maximum rate of compensation that will be allowed is the consultant's academic salary projected for 12 months, divided by 260. These individuals normally receive fringe benefits which include sick leave for a full 12-month period even though they normally only work nine months per year in their academic positions.
 - b. Consultants Employed by State and Local Government. Compensation for these consultants will only be allowed when the unit of government will not provide these services without cost. If a State or local government employee is providing services under a Federal grant and is representing their agency without pay from their respective unit of government, the rate of compensation is not to exceed the daily salary rate for the employee paid by the unit of government. If the State or local government employee is providing services under a Federal grant and is not representing their agency, the rate of compensation is based on the necessary and reasonable cost principles.
 - c. Consultants Employed by Commercial and Not-For-Profit Organizations. These organizations are subject to competitive bidding procedures. Thus, they are not subject to the \$450 per day maximum compensation threshold before requesting prior approval. In those cases where an individual has authority to consult without employer involvement, the rate of compensation should not exceed the individual's daily salary rate paid by his/her employer subject to the \$450 limitation.
 - d. Independent Consultants. The rate of compensation for these individuals must be reasonable and consistent with that paid for similar services in the market place. Compensation may include fringe benefits. In summary, consultants obtained through competitive bidding do not require prior approval, including individual consultants.
7. **Interest Expense.** Interest on debt incurred to: (1) acquire equipment and buildings; (2) building construction; (3) fabrication; (4) reconstruction; and (5) remodeling is an allowable cost with prior approval. This interest applies only to buildings completed

on or after 10/1/80 for State and local units of government and 9/29/95 for non-profit organizations.

8. **Foreign Travel.** Direct charges for foreign travel costs are allowable only when the travel has prior approval of the awarding agency. Indirect charges for foreign travel are allowable without prior approval of the awarding agency when included as part of a Federally approved indirect cost rate and has a beneficial relationship to the project. Each separate foreign trip must be approved. Foreign travel is defined as any travel outside of Canada and the United States and its territories and possessions. However for an organization located in foreign countries, the term “foreign travel” means travel outside that country.

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